



Report to the Committee on Armed  
Services, House of Representatives

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November 2014

# DEFENSE LOGISTICS

## Greater Awareness of Recommendations and Improvements in Data Quality Needed to Resolve Container- Management Challenges

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# GAO Highlights

Highlights of [GAO-15-114](#), a report to the Committee on Armed Services, House of Representatives

## Why GAO Did This Study

DOD uses DOD or commercial carrier shipping containers to transport supplies worldwide. Container management has been a long-standing challenge. DOD has paid detention fees of about \$823 million from 2003 through 2012 for retaining containers longer than allowed, primarily due to operations within CENTCOM, including Afghanistan, where fees continue to accrue. GAO was asked to review DOD's efforts to address container-management challenges and the accumulation of detention fees.

This report assesses the extent to which (1) DOD policy and guidance incorporate recommendations addressing container-management challenges in CENTCOM's area of responsibility, and (2) DOD has managed and reduced detention fees for containers in Afghanistan since 2012. GAO reviewed prior audit reports to identify container-management recommendations; analyzed data such as container type and ownership from 2010 through 2013; and interviewed DOD officials.

## What GAO Recommends

GAO recommends that DOD (1) develop a list of recommendations and incorporate them into policy and guidance and (2) identify root causes for procedural weaknesses that contribute to inaccurate, incomplete container data and develop and implement a corrective plan. DOD concurred with the first recommendation and partially concurred with the second because it partially disagreed to whom GAO directed the recommendation. GAO concurred and modified the recommendation.

View [GAO-15-114](#). For more information, contact Cary B Russell at 202-512-5431 or [russellc@gao.gov](mailto:russellc@gao.gov).

November 2014

## DEFENSE LOGISTICS

### Greater Awareness of Recommendations and Improvements in Data Quality Needed to Resolve Container-Management Challenges

## What GAO Found

Since the early years of operations in Afghanistan and Iraq, Department of Defense (DOD) efforts to improve container management in the U.S. Central Command (CENTCOM) area of responsibility have included either updating existing or developing new container-management policy and guidance. However, the department cannot provide reasonable assurance that all recommendations addressing container management in the CENTCOM area of responsibility have been incorporated in DOD's policy or guidance, as appropriate. DOD officials incorporated some recommendations made by DOD audit agencies and other organizations aimed at improving container management into policy and guidance. For example, in August 2012 the commanders of CENTCOM and U.S. Transportation Command issued a joint memorandum outlining leadership's responsibility for container management in the CENTCOM area of responsibility that was a direct result of a 2012 Joint Logistics Board report that recommended corrective actions to enhance senior leaders' understanding of container management. However, DOD does not have a comprehensive list of the corrective actions that have been recommended over time. Without such a list, DOD cannot reasonably ensure that all of the recommendations have been incorporated into policy and guidance as appropriate. For example, of the 95 corrective actions that GAO identified from reports by DOD audit agencies and other organizations issued from 2003 through 2013, DOD officials could not provide information on steps taken to address 40 of the corrective actions.

Since 2012, DOD has taken steps to manage and reduce shipping container detention fees incurred due to the untimely return of commercial carrier-owned shipping containers in Afghanistan, but its ability to manage and reduce these fees is limited by inaccurate and incomplete data. In August 2012, DOD established the requirement that within 15 days of a shipping container's arrival: (1) receipt of the container was to be recorded by the unit in-theater, (2) the container was to be unloaded, and (3) the responsible carrier was to be notified that its container was available for pickup. DOD also developed a set of tracking metrics to monitor progress in meeting this requirement. However, incomplete and inaccurate data about the location and number of containers accruing detention fees hindered DOD's ability to manage and reduce detention fees for containers in Afghanistan. For example, GAO analysis of DOD's container-management system data and carrier delivery data for each month in 2013 showed that DOD had not recorded in the container-management system about 16 percent of the carrier-owned containers delivered and received in Afghanistan. DOD has identified factors, or procedural weaknesses, that may contribute to incomplete and inaccurate data; however, it has not assessed the extent to which these weaknesses have contributed to data inaccuracies, determined the root causes of these weaknesses, or developed a corrective-action plan for correcting them. Without an assessment of the root causes and a corrective-action plan, it will be difficult for DOD to have complete and accurate data, which could limit its ability to manage and reduce detention fees for containers in Afghanistan and in future contingency operations.

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# Contents

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Letter		1
	Background	6
	DOD Cannot Determine the Extent to Which Its Policy and Guidance Incorporate Recommendations to Improve Container Management in the CENTCOM Area of Responsibility	9
	DOD Has Taken Steps to Manage and Reduce Shipping-Container Detention Fees in Afghanistan, but Its Ability to Manage and Reduce These Fees Is Limited	14
	Conclusions	23
	Recommendations for Executive Action	24
	Agency Comments and Our Evaluation	24

---

Appendix I	Scope and Methodology	27
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Appendix II	Comments from the Department of Defense	31
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Appendix III	GAO Contact and Staff Acknowledgments	34
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Table		
	Table 1: Number of Reports Issued from 2003 through 2013 That Included Recommendations to Improve Shipping-Container Management	13

---

Figures		
	Figure 1: Detention-Fee Payments for Containers Shipped to Afghanistan and Iraq in Fiscal Years 2003 through 2012	9
	Figure 2: Comparison of DOD Containers in Afghanistan with Known and Unknown Locations on October 31, 2013	18

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## Abbreviations

DOD	Department of Defense
CENTCOM	U.S. Central Command
ISO	International Organization for Standardization

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November 21, 2014

The Honorable Howard P. "Buck" McKeon  
Chairman  
The Honorable Adam Smith  
Ranking Member  
Committee on Armed Services  
House of Representatives

Afghanistan's logistics environment is challenging for U.S. forces because Afghanistan is a mountainous, arid, land-locked country with poorly developed infrastructure, including few roads, no railway, and few airports with limited amounts of paved runways. Further, the Department of Defense's (DOD) distribution of supplies and equipment into and within Afghanistan—a major operational area in the U.S. Central Command (CENTCOM) area of responsibility—is a complex process that involves many organizations and utilizes both surface and air modes of transportation over various routes. A major component of this distribution process involves the use of shipping containers to transport goods to, within, and from Afghanistan. For example, according to DOD container-management data, DOD managed, at its peak (January 2013), approximately 107,000 containers in Afghanistan, which included a combination of containers owned or leased by the U.S. government or provided by commercial shipping companies as part of DOD's shipping contract with these carriers.

Container management for shipping containers, whether DOD-owned, leased, or carrier-owned, involves the tracking, storage, shipment, use, delivery, discharge, and return of the container to the common-user container fleet or to the owning carrier.<sup>1</sup> The management of these containers has been a long-standing challenge for DOD. According to DOD data, as of September 2014 the department has paid detention fees of \$823 million from fiscal years 2003 through 2012 for retaining carrier-owned containers used in Iraq and that are continuing to be used in

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<sup>1</sup>Common-use containers are leased, procured, or made available from government-owned inventories to support the intermodal transportation requirements of all military services. These containers are managed and controlled by the U.S. Transportation Command through the Surface Deployment and Distribution Command while they support DOD transportation needs in peace and war.

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Afghanistan for longer periods of time than allotted contractually.<sup>2</sup> DOD currently estimates that detention payments for fiscal years 2013 and 2014 will be approximately \$41 million and \$40 million, respectively.

We first reported on the issue of container management in 1977 and, along with other audit agencies, have issued reports since then identifying challenges related to container management. For example, in October 2011, we found that reporting and tracking of containers in container-management systems was inconsistent for reasons including that the two container-management systems in use were not integrated, thus potentially creating gaps in information.<sup>3</sup> We recommended that, to better manage its shipping-container processes, DOD should select a single container-management system for all DOD entities and contract carriers to track the containers' status. DOD concurred with this recommendation and, in 2012, approved requirements for a single container-management system. DOD expects completion of an initial version of the system after the end of fiscal year 2014. Furthermore, since 1990, GAO has maintained a program to focus attention on government operations that it identifies as high risk due to their greater vulnerabilities to fraud, waste, abuse, and mismanagement or the need for transformation to address economy, efficiency, or effectiveness challenges. DOD's supply-chain management, which includes container management, has been on GAO's high-risk list since 1990.<sup>4</sup> In our most recent update to the high-risk list, we reported that DOD had taken steps to mitigate some of the challenges concerning supplying the warfighter in Afghanistan, but problems

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<sup>2</sup>Detention-fee data for fiscal years 2013 and 2014 were not fully known prior to issuance of this report because detention fees can accrue over a period of 350 to 700 days. Furthermore, payment of these fees for containers used in a given fiscal year may extend into subsequent fiscal years because billing for detention fees may not be done immediately following return of containers or notification to the carrier about the status of its containers. Moreover, until a contract is closed out, the contractor may continue to make detention-fee claims. Unless otherwise stated in this report, all dollar figures are in nominal terms, unadjusted for inflation.

<sup>3</sup>GAO, *Warfighter Support: DOD Has Made Progress, but Supply and Distribution Challenges Remain in Afghanistan*, [GAO-12-138](#) (Washington, D.C.: Oct. 7, 2011). The two container-management systems in use that were not integrated were the U.S. Transportation Command's system used to track and manage government-owned and carrier-owned shipping containers in use, including those in Afghanistan, and the U.S. Army's system used to track container location and status of government-owned containers.

<sup>4</sup>GAO, *High-Risk Series: An Update*, [GAO-13-283](#) (Washington, D.C.: February 2013).

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remained, including in effectively tracking and managing cargo containers.<sup>5</sup>

Aspects of DOD container-management responsibilities reside with a number of offices within the department. For example, the Office of the Deputy Assistant Secretary of Defense for Transportation Policy is responsible for establishing container-management policy. The Surface Deployment and Distribution Command, the logistics directorates for each of the military services, the Defense Logistics Agency, U.S. Transportation Command, and CENTCOM all have responsibilities for different facets of managing containers, including the purchasing, shipping, managing, and returning of containers while they are being used in theater.<sup>6</sup>

Given the continued challenges DOD faces as it works to improve container management and reduce detention fees, you asked us to review DOD's efforts to improve container management in the CENTCOM area of responsibility in light of container detention fees. This report examines the extent to which (1) DOD policy and guidance incorporate recommendations by DOD audit agencies and other organizations that address container-management challenges in the CENTCOM area of responsibility, and (2) DOD has managed and reduced detention fees for containers in Afghanistan.

To address the first objective, we reviewed DOD policy and guidance pertaining to container management to develop our understanding of container-management operations and roles and responsibilities. We then reviewed reports issued from calendar years 2003 through 2013 by all audit agencies we identified as having done work on the subject of container management at DOD: the Army Audit Agency, the Naval Audit Service, the Air Force Audit Agency, the DOD Office of Inspector General, the Defense Contract Audit Agency, the Defense Contract Management Agency, the Special Inspector General for Iraq Reconstruction, the Special Inspector General for Afghanistan

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<sup>5</sup>[GAO-13-283](#).

<sup>6</sup>See Deputy Secretary of Defense Memorandum, *Global Container Management Policy* (Dec. 18, 2009).



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Reconstruction, and GAO.<sup>7</sup> We contacted and interviewed DOD logistics and container-management officials from the Office of the Deputy Assistant Secretary of Defense for Transportation Policy, U.S. Transportation Command, CENTCOM, the U.S. Army, the U.S. Marine Corps, the Surface Deployment and Distribution Command, and the Defense Logistics Agency to discuss efforts to improve container management and identify any additional reports and studies with findings and recommendations involving container-management issues potentially affecting DOD operations in CENTCOM's area of responsibility.<sup>8</sup> We also interviewed DOD officials to determine whether the department had undertaken efforts to identify recommendations addressing container management. We then analyzed the relevant recommendations contained in these reports and studies that we identified, noting the DOD components responsible for implementing them, and then categorized the recommendations based on common themes that emerged from our review of the reports. As a result, we were able to identify whether certain recommendations were repeated over the reporting period. We then reviewed DOD policy and guidance pertaining to container management to determine the extent that the recommendations we identified were reflected in them. We compared DOD's inclusion of recommendations addressing container-management challenges into its policy and guidance documents according to criteria outlined in *Standards for Internal Control in the Federal Government*.<sup>9</sup>

To address the second objective, we met with officials from the Office of the Deputy Assistant Secretary of Defense for Transportation Policy, U.S. Transportation Command, CENTCOM, the U.S. Army, the U.S. Marine Corps, the Surface Deployment and Distribution Command, and the Defense Logistics Agency to develop an understanding of how DOD accrues and pays detention fees and manages shipping containers to reduce the accumulation of detention fees. We also discussed and

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<sup>7</sup>We selected this period to correspond with the period DOD began tracking detention fees for operations in Iraq and Afghanistan through the completion of work on this objective of our review. We identified the noted agencies as those agencies providing recommendations based on our research. However, DOD did not have the means to verify or corroborate that our list was all-inclusive.

<sup>8</sup>For purposes of this report, the term "recommendation" includes written corrective actions and formal recommendations made by DOD components and other organizations.

<sup>9</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

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observed the processes and procedures by which invoices for detention fees are received, reviewed, and paid, and observed demonstrations of the U.S. Transportation Command's system used to track and manage government-owned and carrier-owned shipping containers used in the CENTCOM area of responsibility including in Afghanistan. In addition, we collected comprehensive listings from 2013 of the containers and any associated data, including, for example, the date a container arrived in theater, the container type, and the ownership of the container; and analyzed the data to understand the amounts and uses of shipping containers in Afghanistan. We also collected all available end-of-month DOD listings—from September 2010 through December 2013—of carrier-owned shipping containers subject to detention fees to conduct our own analysis. We selected September 2010 because it was the first month for which DOD had available end-of-month data. We concluded with December 2013 because it was the cutoff date for the analyses that we had planned to conduct. We compared our observations, data we collected, and our analyses with *Standards for Internal Controls in the Federal Government* and DOD guidance such as the *Defense Transportation Regulation* and CENTCOM's *Container Management Policy Letter of Instruction* that specify the need to accurately and timely record data that has an effect on detention fee accrual.<sup>10</sup> We also assessed DOD's efforts to improve its management of container data against best practices for improving federal agency performance and accountability and against *Standards for Internal Control in the Federal Government*, which address risks and accountability for achieving effective results.<sup>11</sup> In addition, we assessed the reliability of the container data by reviewing related documentation, interviewing knowledgeable officials, and testing the data for obvious errors and completeness. We

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<sup>10</sup>GAO/AIMD-00-21.3.1. DOD Transportation Regulation 4500.9-R, Part VI, *Management and Control of Intermodal Containers and System 463L Equipment* (September 2009) (includes changes through Nov. 29, 2012). U.S. Central Command, *CENTCOM Container Management Letter of Instruction (CM LOI)* (Jan. 15, 2014) (hereinafter cited as *CENTCOM Container Management Letter of Instruction* (Jan. 15, 2014)).

<sup>11</sup>GAO, *Determining Performance and Accountability Challenges and High Risks*, GAO-01-159SP (Washington, D.C.: November 2000). GAO/AIMD-00-21.3.1. GAO developed criteria for assessing performance and accountability for an agency's major program and mission areas and management functions in GAO-01-159SP. The criteria were developed by considering the requirements of program-specific legislation as well as the requirements of management-reform legislation, such as the Chief Financial Officers Act of 1990, the Government Performance and Results Act of 1993, the Government Management Reform Act of 1994, the Federal Financial Management Improvement Act of 1996, and the Clinger-Cohen Act of 1996.

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concluded that the container data were sufficiently reliable to present select findings, but identified limitations that are discussed later in this report. Appendix I provides additional details on the scope and methodology.

We conducted this performance audit from February 2013 to November 2014 in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

Shipping containers are reusable intermodal enclosures or flat, open platforms that meet International Organization for Standardization (ISO) container standards and are intended to be loaded with cargo and shipped on or in a transportation conveyance.<sup>12</sup> The containers DOD uses are typically 20 to 40 feet long and 8 feet wide, some of which are refrigerated for perishable goods.<sup>13</sup> DOD uses containers to transport equipment and supplies to destinations in support of troops conducting military operations worldwide, including Afghanistan. In austere environments, DOD also uses containers for many other purposes such as providing secure storage for goods and using container walls for force protection.

The containers DOD has managed in the CENTCOM area of responsibility, including in Afghanistan, are owned or leased by DOD; owned by coalition partners; owned by contractors supporting DOD; or owned by commercial carriers operating under DOD's Universal Services Contract. The Universal Services Contract provides international cargo transportation and distribution services using ocean common or contract carriers, and offers regularly scheduled commercial liner service for

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<sup>12</sup>The International Organization for Standardization develops voluntary international standard product specifications to improve the efficiency of industry and international trade. Regarding shipping containers, ISO standards for shipping containers include, for example, external, internal, and door dimensions, strength of walls, floors, and ceilings, and marking and identification requirements.

<sup>13</sup>DOD also uses other types of containers, including some that are less than 20 feet long, bulk fuel storage containers, and flat shipping racks.

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requirements that may arise in any part of the world. The contract is primarily for DOD requirements and applies to services performed in peacetime and exigency areas. Contract provisions include detention-fee rates, container purchase options and prices, and maximum detention-fee accrual periods, among other provisions. When carriers deliver goods using their own containers, DOD has a contractually specified number of days to return a container before incurring added fees—defined as “free-time” in the contract. After the free-time period ends, DOD accrues daily detention fees until the carrier is notified that an empty container is available for pickup.<sup>14</sup> Under various circumstances, the contract also allows DOD to acquire a carrier’s container, either through the payment of a maximum amount of detention fees, or through payment of a contractually set purchase price after a minimum amount of detention fees has been paid.<sup>15</sup>

As of August 2014, DOD’s container-management system comprises two key information management systems—the U.S. Transportation Command’s Integrated Booking System/Container Management Module and the Army Container Asset Management System—along with the persons and organizations using, updating, and managing the two systems. The Surface Deployment and Distribution Command and CENTCOM use the Integrated Booking System/Container Management Module as their container-management system. The system provides data on all container ownership types used in theater including government-owned or leased, coalition partner-owned, and carrier-owned containers in theater and estimates detention costs for containers that are not returned to carrier owners prior to the end of the free-time period. The Army Container Asset Management System records all containers in DOD’s inventory and serves as the official property record for Army-owned containers. From the Army Container Asset Management System, personnel can conduct studies on Army container status, location, and

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<sup>14</sup>DOD’s Global Container Management Policy defines detention fees as a charge made on a carrier conveyance held by or for a consignor or consignee beyond the allowable free time for loading or unloading, for forwarding directions, or for any other purpose authorized and documented by the consignor or consignee. Fees for detention are in addition to all other transportation charges.

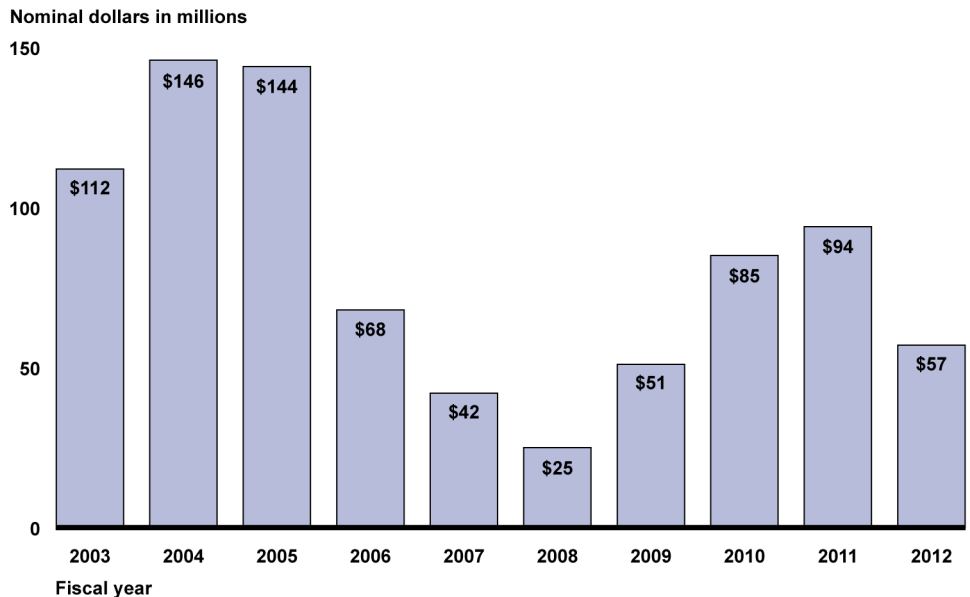
<sup>15</sup>The Universal Services Contract contains an automatic purchase clause under which the U.S. government acquires ownership of any carrier-owned container for which the government has paid 700 days of accrued detention for any refrigerated container or 350 days of accrued detention for any other container.

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disposition from data entered into the system by its users and data feeds from other sources.

Detention fees, purchase prices, and maximum detention-fee accrual periods in Iraq and Afghanistan varied, according to the Universal Services Contract, depending on the size of a container and whether the container is refrigerated. For example, in 2013, detention fees for carrier-owned containers ranged from \$22 to \$127 per day and could accrue over periods ranging from 350 days to 700 days, at which point DOD would become the de facto owner. Containers could also be purchased prior to these maximum periods, but only after a minimum period of detention is paid: 60 days for containers shipped under the 2013 Universal Services Contract or 90 days for containers shipped under previous contracts. Purchase prices in 2013 ranged from \$2,880 to \$31,500 depending on the size of a container and whether the container was refrigerated. Figure 1 shows detention fees DOD accrued from fiscal years 2003 through 2012. Fiscal year 2013 and 2014 data are excluded from this figure because detention fees can accrue over a period of 350 to 700 days; therefore, payment of these fees for containers leased in a given fiscal year may extend into subsequent fiscal years. Moreover, until a contract is closed out, the contractor may continue to make detention-fee claims.

**Figure 1: Detention-Fee Payments for Containers Shipped to Afghanistan and Iraq in Fiscal Years 2003 through 2012**



Source: GAO analysis of Department of Defense (DOD) data. | GAO-15-114

Note: Detention fees for fiscal years 2013 and 2014 were not fully known prior to issuance of this report because detention fees can accrue over a period of 350 to 700 days. Data were not available to separate container-fee payments between Afghanistan and Iraq.

## DOD Cannot Determine the Extent to Which Its Policy and Guidance Incorporate Recommendations to Improve Container Management in the CENTCOM Area of Responsibility

Since the early years of operations in Afghanistan and Iraq, DOD officials have made efforts to improve container management in the CENTCOM area of responsibility. One way they continue to improve container management is by either updating existing or developing new container-management policy and guidance. To do so, they incorporated recommendations by DOD audit agencies and other organizations aimed at improving container management. However, it is uncertain whether all of the recommendations have been incorporated into DOD policy as appropriate because the department does not have a comprehensive list of the recommendations that have been made over the years.

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## DOD's Container- Management Policy and Guidance Incorporate Some Recommendations to Improve Container Management

Since the early years of operations in Afghanistan and Iraq, DOD officials have made efforts to improve container management in the CENTCOM area of responsibility. One way they continue to improve container management is by either updating existing or developing new container management policy and guidance based on recommendations made by DOD audit agencies as well as other organizations. Specifically, these policy and guidance changes have addressed various aspects of container management including: (1) doctrine and planning for the use of containers in a contingency environment, (2) leadership's responsibility for container management, and (3) efforts to improve the tracking and inventorying of containers.

Doctrinal and planning guidance for Army units with distribution responsibilities in the CENTCOM area of responsibility, which includes responsibility for container management, is contained in three documents: *Army Regulation 56-4: Distribution of Materiel and Distribution Platform Management*, published in March 2007 and revised in September 2014; *Army Theater Distribution*, published in May 2011; and *Army Container Operations*, published in May 2013.<sup>16</sup> However, according to Army officials, both *Army Theater Distribution* and *Army Container Operations* were informed by a recommendation made in a 2008 Army Audit Agency report that container management in a contingency environment be integrated into doctrine and planning.<sup>17</sup> In addition, Army officials noted that these documents also address a 2011 Army Audit Agency recommendation that lessons learned about container management for ongoing and future contingencies be institutionalized in the contingency planning process.<sup>18</sup>

Leadership's responsibility for container management in the CENTCOM area of responsibility is addressed in the Container Detention memorandum signed by both the commander of U.S. Transportation

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<sup>16</sup>Army Regulation 56-4, *Distribution of Materiel and Distribution Platform Management* (Sept. 17, 2014); U.S. Army, *Army Theater Distribution*, ATP 4-0.1 (FM 100-10-1) (May 20, 2011.); and U.S. Army, *Army Container Operations*, ATP 4-12 (May 10, 2013).

<sup>17</sup>U.S. Army Audit Agency, *Audit of Management of Shipping Containers in Southwest Asia – Iraq* (Project A-2007-ALL-0081.004), A-2008-0098-ALL (Alexandria, Va.: Apr. 3, 2008).

<sup>18</sup>U.S. Army Audit Agency, *Container Management in Iraq—Condition and Contents*, A-2011-0047-ALL (Alexandria, Va.: Dec. 22, 2010).

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Command and CENTCOM in August 2012.<sup>19</sup> According to U.S. Transportation Command officials, this memorandum was published as a direct result of a recommendation made in a Joint Logistics Board report, also published in 2012, that included additional recommendations aimed at enhancing senior leaders' understanding of container-management challenges and detention-fee payments and enforcing compliance with previously published container-management policy as outlined in CENTCOM's *Container Management Letter of Instruction*. Specifically, the *Container Detention* memorandum states that compliance with CENTCOM's *Container Management Letter of Instruction* is mandatory and that all subordinate commanders in theater are to ensure that their respective units embrace container-management and detention-fee reduction goals. Moreover, the *Container Detention* memorandum states that subordinate commanders in the CENTCOM theater should report container transactions in order to track the receipt, location, and discharge of containers in accordance with procedures also specified in the CENTCOM *Container Management Letter of Instruction*.

The tracking and inventorying of containers in the CENTCOM area of responsibility is addressed in the aforementioned CENTCOM *Container Management Letter of Instruction*, initially issued in 2006 according to U.S. Transportation Command officials and periodically updated thereafter, most recently in January 2014. In this letter, CENTCOM emphasizes the necessity for the timely entry of data for all containers moving into, within, or out of the CENTCOM area of responsibility; stresses the importance of maintaining accurate theater-wide container inventories through a robust inventory management program; and details the roles and responsibilities of the various DOD organizations that constitute the theater container-management structure. According to CENTCOM officials, the CENTCOM *Container Management Letter of Instruction* and its periodic updates address concerns raised by Army Audit Agency reports from 2005 and 2009 and the Joint Logistics Board's report of 2012 that recommended enhancing and clarifying the authority of the theater container-management structure; conducting physical inventories of containers in order to better track them; and completing

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<sup>19</sup>U.S. Transportation Command Memorandum, *Container Detention* (Scott Air Force Base, Ill. (Aug. 28, 2012))



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property-management functions for containers purchased in the CENTCOM area of responsibility.<sup>20</sup>

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**DOD Cannot Ensure That All Recommendations Addressing Container Management in the CENTCOM Area of Responsibility Have Been Incorporated in Policy and Guidance as Appropriate**

Notwithstanding DOD's efforts to improve container management in the CENTCOM area of responsibility by either updating existing or developing new policy and guidance in response to recommendations made by DOD and other organizations, DOD cannot ensure recommendations have been addressed in policy and guidance as appropriate. This is because, according to DOD officials, no single office or entity within the department has comprehensively identified all of the reports and recommendations the various DOD and other organizations have made to improve container management in the CENTCOM area of responsibility. *Standards for Internal Control in the Federal Government* call for an organization's internal control processes to ensure that the findings of audits and other reviews are promptly resolved.<sup>21</sup>

When we asked key officials from DOD organizations that play some role in or have some responsibility for container management to identify what, if any, steps had been taken to address recommendations that have been made by DOD and other organizations, the officials responded that this information was not easily available without extensive work to compile. Because DOD could not provide us with a comprehensive list of reports and their associated recommendations addressing container-management challenges in the CENTCOM area of responsibility, we conducted our own literature search and subsequently compiled a list of 25 reports and reviews issued by DOD and other organizations from 2003 through 2013. Included in these reviews and reports are 95 recommendations aimed at improving container management in the CENTCOM area of responsibility (see table 1). Although this list may not be comprehensive because our search was limited to the period 2003 through 2013, and DOD had no source or means to corroborate or verify what we identified, when we requested that DOD provide us information on the steps taken to address the recommendations we did identify, DOD

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<sup>20</sup>U.S. Army Audit Agency, *Asset Visibility and Container Management: Operation Iraqi Freedom*, A-2005-0197-ALE (Europe Field Office: July 2005); *Audit of the Management of Shipping Containers Southwest Asia – Afghanistan* (Project A-2007-ALL-0081.005), A-2009-0033-ALL (Alexandria, Va.: January 2009); U.S. Transportation Command, *Container Management Tiger Team Findings and Recommendations* (June 2012).

<sup>21</sup>[GAO/AIMD-00-21.3.1](#).

provided information on steps taken to address 55 of the 95 recommendations that we identified. However, DOD did not provide answers for the remaining 40 recommendations.<sup>22</sup>

**Table 1: Number of Reports Issued from 2003 through 2013 That Included Recommendations to Improve Shipping-Container Management**

Organization	Reports issued / reviews	Recommendations identified	Period of issuance
Department of Defense (DOD) audit agencies	20	79	2003–2013
DOD components / other organizations	3	13	2004–2012
GAO	2	3	2007–2011
<b>Total</b>	<b>25</b>	<b>95</b>	<b>2003–2013</b>

Source: GAO analysis of DOD data. | GAO-15-114

Note: Recommendations we identified may not be comprehensive because DOD did not have an alternative source or means to corroborate or verify what we identified. Additionally, the same or similar recommendations may appear in different reports and therefore may be duplicated.

According to *Standards for Internal Control in the Federal Government*, internal control is an integral part of an organization’s management that provides reasonable assurance that operations are conducted effectively and efficiently, that financial reporting is reliable, and that applicable laws and regulations are complied with. One of the standards of internal control is Monitoring, which calls for agencies to assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. In this vein, managers are to: (1) promptly evaluate findings from audits and other reviews, including those showing deficiencies and recommendations reported by auditors and others who evaluate agencies’ operations; (2) determine proper actions in response to findings and recommendations from audits and reviews; and (3) complete, within established time frames, all actions that correct or otherwise resolve the matters brought to management’s attention.<sup>23</sup> A second standard, Information and Communications, states that information should be recorded and communicated to management and

<sup>22</sup>For the 55 instances where DOD provided information on steps taken to address the recommendations that we identified, DOD officials indicated that actions were taken to implement the recommendations, including incorporating changes into DOD’s policy or guidance, for 32 of the 55 recommendations.

<sup>23</sup>[GAO/AIMD-00-21.3.1](#).

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others within the entity who need it and in a form and within a time frame that enables them to carry out their internal control and other responsibilities. However, based on DOD's container-management officials' lack of comprehensive awareness of recommendations described previously, DOD cannot reasonably assure that all recommendations for the CENTCOM area of responsibility have been addressed in policy or guidance, as appropriate. Without a comprehensive list, DOD cannot reasonably assure whether it has addressed all of the recommendations related to container management operations as appropriate in policy or guidance, nor can it reasonably assure that policymakers have the information available and incorporate it as needed into new and existing container-management policies. DOD could use our work as a starting point for identifying additional recommendations to improve container-management policy and guidance for the next contingency.

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## **DOD Has Taken Steps to Manage and Reduce Shipping-Container Detention Fees in Afghanistan, but Its Ability to Manage and Reduce These Fees Is Limited**

Since mid-2012, DOD has taken a number of steps to manage and reduce shipping-container detention fees incurred for the untimely return of commercial shipping containers used in Afghanistan. However, DOD's ability to manage and reduce container detention fees is limited by inaccurate and incomplete data about the number and location of containers accruing detention fees.

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## **DOD Has Taken Steps to Manage and Reduce Shipping-Container Detention Fees**

According to DOD, the department tracks the amount of detention fees it accrues each fiscal year and has worked to manage and reduce these fees through a variety of efforts. For example, in June 2012, a Joint Logistics Board-directed container-management team issued a report that included recommendations for improving global container management that would reduce detention costs in CENTCOM. Subsequently, in August 2012, DOD implemented one of the team's recommendations when the commanders of the U.S. Transportation Command and CENTCOM issued their joint memorandum—addressed to the military services, the Defense Logistics Agency, U.S. Forces Afghanistan, and CENTCOM's component commands—directing them to focus specifically on improving

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container-management operations to reduce detention fees. The joint memorandum also established a requirement within the CENTCOM area of responsibility that within 15 days of a shipping container's arrival, receiving organizations are to acknowledge receipt of the container, unload the container, and notify the responsible carrier that its container is available for pickup. In addition, according to the joint memorandum, U.S. Transportation Command and CENTCOM developed a set of tracking metrics to monitor progress in meeting this requirement.<sup>24</sup> Furthermore, in March 2013, U.S. Transportation Command's subordinate organization, the Surface Deployment and Distribution Command, developed and began tracking data against container-management goals to support the drawdown from Afghanistan, according to officials from the organization. The data included the number of containers not released for carrier pickup and the number of containers accruing detention fees for longer than 3 months. Lastly, in September 2013, according to CENTCOM officials, CENTCOM formed an assistance team in Afghanistan to help operating bases focus on container management in order to improve container inventory database accuracy and reduce the number of containers, which could reduce detention fees.

Following the collective actions it has taken to manage and reduce detention fees, DOD estimated that there would be a significant decrease in fees for 2013 and 2014.<sup>25</sup> Specifically, DOD estimated that the \$57 million in detention fees paid in 2012 will be reduced to \$41 million in fiscal year 2013 and to \$40 million in fiscal year 2014. DOD officials said that they expected the decrease in detention fees because of a combination of two factors: (1) a projected reduction in the number of containers being shipped into Afghanistan as operations draw down there, and (2) a reduction in the average detention fees that will be accrued per container resulting from actions DOD has taken to reduce and manage those fees. Because of insufficient data, however, according to Surface Deployment and Distribution Command officials, DOD could not determine the extent to which the expected decrease would be due to actions the department has taken in theater to reduce and manage

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<sup>24</sup>U.S. Transportation Command, *Container Detention*.

<sup>25</sup>As stated previously, detention fees can accrue over a period of 350 to 700 days. Therefore, detention-fee payments for containers leased in one fiscal year may extend over multiple fiscal years. Moreover, until a contract is closed out, the contractor may continue to make detention-fee claims.

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detention fees or the expected decrease would be the result of other factors such as there being fewer containers in Afghanistan as a result of the drawdown.<sup>26</sup> Further, according to Surface Deployment and Distribution Command officials, because there is a lag in the time carriers submit detention-fee invoices, it is difficult for DOD to determine a reliable estimate for detention fees for containers in theater at a given time. The officials said that they hope to have more reliable data after (1) operations cease in Afghanistan, when remaining detention invoices and requests-for-equitable-adjustment detention-fee claims are received and processed, and (2) the Universal Services Contract is closed out, which will not occur until fiscal year 2016 or later.

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### DOD's Incomplete and Inaccurate Container-Management Data Limits Its Ability to Manage and Reduce Detention Fees in Afghanistan

Although DOD has estimated that there will be a decrease in the amount of detention fees it will pay, its ability to manage and reduce detention fees for containers subject to them in Afghanistan is limited by incomplete and inaccurate data on the number and location of containers in country. Moreover, DOD has not assessed contributing factors to determine the root causes for its incomplete and inaccurate data.

According to *Standards for Internal Control in the Federal Government*, for an agency to run and control its operations, it must have relevant, reliable information relating to internal events.<sup>27</sup> In this regard, the DOD Transportation Regulation specifies that combatant commanders are to collect and maintain data on every container in theater.<sup>28</sup> However, DOD's data on the number of carrier-owned containers subject to detention fees is incomplete and inaccurate. Without relevant and reliable data, DOD's ability to monitor and reduce detention fees is limited. For example, DOD concluded that the total number of containers in DOD's

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<sup>26</sup>In June 2011, the United States announced plans to reduce the number of U.S. forces in Afghanistan and, by September 2012, had reduced its number by 33,000 troops. Concurrently there has been a decrease in the number of containers being shipped to Afghanistan and a reduction in the number of operations locations and bases in Afghanistan where containers are located. As a result, the number of containers in Afghanistan has decreased.

<sup>27</sup>An event is a process or part of a process occurring in a particular moment and place. For example, the delivery of a container to DOD would constitute an event for which an agency would need relevant and reliable information.

<sup>28</sup>DOD Transportation Regulation 4500.9-R, *Management and Control of Intermodal Containers and System 463L Equipment*.

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container-management system subject to detention fees were understated because the invoices DOD received for the same period indicated that there was a greater number of carrier-owned containers in theater.<sup>29</sup> Specifically, using data from DOD's container-management system on the number of carrier-owned containers used in the CENTCOM area of operations (including in Afghanistan), container managers estimated that detention fees for fiscal year 2011 would be about \$23 million. However, DOD received detention-fee invoices totaling about \$84 million for fiscal year 2011, about 3.7 times higher than estimated, which represents approximately 5,200 containers that DOD could not account for. According to Surface Deployment and Distribution Command officials, improvements in data feeds and user data entry have been made over the past 4 years as they have worked to resolve this discrepancy but have not yet fully done so. Nonetheless they believe that the discrepancy arose primarily from inaccuracies in inventory data. Without accurate inventory data to validate invoices, DOD is at risk for being overbilled, which happened during fiscal years 2010 and 2011 according to Surface Deployment and Distribution Command officials. Specifically, investigations by the Surface Deployment and Distribution Command and others beginning in 2010 led to recouping costs for incorrect carrier-shipment billings, resulting in \$3.9 million and \$9.0 million in detention-fee refunds to DOD for fiscal years 2010 and 2011, respectively.

In addition to incomplete data on the number of containers subject to detention, the DOD container-management system also does not contain accurate data on the location of all shipping containers in Afghanistan. CENTCOM's container-management policy sets as a goal the establishment of accountability for containers in theater, which includes accurate recording of the location of each container into the container-management system.<sup>30</sup> However, data for DOD shipping containers in Afghanistan on 4 separate days, from April 2013 through the end of December 2013, showed that containers with unknown locations ranged from 14 percent to 25 percent of all containers in Afghanistan. Figure 2

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<sup>29</sup>DOD's determination was based on data queries from its container-management system for September 2010 through October 2013 for the number of carrier-owned containers in Afghanistan subject to detention fees compared to detention-fee invoices received for the same period.

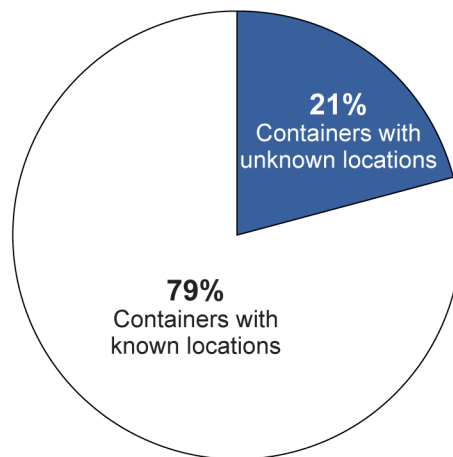
<sup>30</sup>*CENTCOM Container Management Letter of Instruction* (Jan. 15, 2014).

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illustrates the portion of containers in Afghanistan with known and unknown locations on October 31, 2013.<sup>31</sup>

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**Figure 2: Comparison of DOD Containers in Afghanistan with Known and Unknown Locations on October 31, 2013**



Source: GAO analysis of Department of Defense (DOD) data. | GAO-15-114

Moreover, our additional analysis indicated that, over the period September 2010 through December 2013, 7,707 individual carrier-owned containers had unknown locations recorded in the container-management system with 572 of those individual shipping containers accruing detention fees for 1 year or more. Without accurate location data, DOD's ability to locate, empty, and return those carrier-owned shipping containers is limited, and detention fees, therefore, can continue to accrue unabated until reaching the maximum allowed by contract—approximately twice the purchase price of the container.

DOD has identified several procedural weaknesses in the management of containers in theater that may affect the accuracy and completeness of container-management data. According to Surface Deployment and Distribution Command officials, one procedural weakness is that containers are not always being recorded in theater when received. Specifically, the officials stated that the procedures for verifying the

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<sup>31</sup>We selected October for this figure because it followed the end of the fiscal year, and was neither the highest nor lowest value for the dates for which we had data.

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receipt of a container at a base in Afghanistan do not require a receiving unit representative to sign directly for shipping containers upon arrival because operations at bases can be quite extensive, and waiting for a receiving unit representative to arrive at the delivery point<sup>32</sup> would create or exacerbate backlogs. Therefore, according to Surface Deployment and Distribution Command officials, the person manning the delivery point when the container arrives signs for it, although that person has no responsibility for entering any data into the DOD container-management system. As a result, container managers may be unaware of containers delivered to their areas of responsibility and not learn that such containers are accruing detention fees until after DOD receives a bill from the carrier for the detention fees. CENTCOM's container management policy specifies that within 48 hours of receiving a container the receiving unit should record the event in DOD's container-management system.<sup>33</sup> In addition, *Standards for Internal Control in the Federal Government* state that events such as the receipt of goods (e.g., shipping containers and their contents) should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions.<sup>34</sup> However, our analysis of DOD's container-management system data and carrier delivery data for the end of each month in 2013 showed that DOD had not recorded in the container-management system about 16 percent of the carrier-owned containers delivered and received in Afghanistan. Moreover, according to U.S. Transportation Command officials, without records of receipts, DOD does not always have complete documentation to confirm whether or not delivery dates and resulting detention fees claimed by the carrier are correct, and, as a result, has accepted unsupported delivery claims and billings for detention fees. Until the location of a container is determined, DOD may purchase containers that are known to be lost to avoid further detention payments or it may continue to pay the detention fees up to the maximum amount allowed by contract—ranging from approximately \$3,200 to \$47,500 depending on the type of container—at which time, DOD becomes the owner of that container.

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<sup>32</sup>According to Surface Deployment and Distribution Command officials, container delivery varies depending on the base location, and may occur, for example, at a central receiving and shipping point within a base, or at a base gate.

<sup>33</sup>*CENTCOM Container Management Letter of Instruction*.

<sup>34</sup>[GAO/AIMD-00-21.3.1](#).



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In addition, Surface Deployment and Distribution Command officials have identified a variety of other procedural weaknesses that they stated led to carrier-owned containers not being recorded in the container-management system, which may also affect the accuracy and completeness of data. Specifically, they identified instances where the following occurred:

- Containers were shipped into the theater outside of the DOD container-management system. For example, a carrier delivers a container to the theater before it is recorded in DOD's container-management system. This situation may occur when a unit orders items that are shipped directly from a supplier or manufacturer instead of through an intermediary military supply activity.
- Container records were closed before the container was returned to the specified pickup location without prior approval from the carrier for this change. For example, a unit in theater unloads a container at a location other than the original delivery point and records the container as ready for carrier pickup without the carrier's agreement to the alternative location. Recording the container as ready for carrier pickup causes DOD's container-management system to disregard the container as subject to detention fee accrual. However, without carrier agreement to the alternative pick up location, detention fees continue to accrue under the terms of the Universal Services Contract.<sup>35</sup>
- Container records were closed while the container was in use. For example, an in theater container manager may mistakenly conclude that because a container is no longer in a unit's possession, it has been returned to a carrier. The container manager, therefore, designates the container record as inactive in DOD's container-management system. However, the container may still be in DOD's possession and subject to detention fees.
- Containers were recorded incorrectly as government-owned containers. For example, a container manager in theater with a large volume of containers may mistakenly code a carrier-owned container as a DOD container. The DOD container-management system does

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<sup>35</sup>In its technical comments, DOD noted that if a carrier's driver picks up a container from a location that is different from that delivered, then detention fees would stop at that point, but DOD did not provide data on how often this has happened in the past or state the likelihood of it happening in the future.

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not consider these incorrectly coded containers as subject to detention fees, however detention fees continue to accrue.

While DOD has identified the procedural weaknesses above that may affect the completeness and accuracy of container-management data and has, according to Surface Deployment and Distribution Command officials, researched container data and taken other steps to resolve most of these instances, the department has not assessed the extent to which these weaknesses have affected the data. For example, the Joint Logistics Board-directed container-management team recommended more automated reporting to significantly reduce manually inventorying containers, thereby improving the accuracy of inventory data.<sup>36</sup> In response, DOD contracted for the development of automated technology for the recording of shipping containers as they enter and exit military installations and, according to DOD officials, expects to complete an initial evaluation of the selected technology after the end of fiscal year 2014. According to DOD officials, the technology is intended to provide irrefutable proof of a container's movement, work without reliance on satellite tags, and supplement or even replace the need for human manual entry. However, DOD has not identified the root cause or causes for the inaccurate inventory data that this recommendation and the selected technology are intended to address, which is critical if the department is to correct the procedural weaknesses that contribute to inaccurate and incomplete data. Further, according to Surface Deployment and Distribution Command officials, no DOD office has identified the root causes of the other procedural weaknesses discussed above or developed a corrective action plan with corrective measures to address the root causes. In our process for determining agencies' programs at high risk due to their greater vulnerabilities to fraud, waste, abuse, and mismanagement or the need for transformation to address economy, efficiency, or effectiveness challenges, we developed criteria stated in our November 2000 report, *Determining Performance and Accountability Challenges and High Risks*, which found that one step that agencies can take to help resolve their programs' performance and accountability challenges is to develop a corrective action plan that includes identifying root causes and effective solutions.<sup>37</sup> For container

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<sup>36</sup>U.S. Transportation Command, *Container Management Tiger Team Findings and Recommendations*.

<sup>37</sup>[GAO-01-159SP](#).

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management, such a corrective plan would contain corrective measures intended to help develop effective solutions for better locating and confirming receipt of containers and verifying detention invoices as a means to manage and reduce detention fees in current and future contingencies. According to these criteria, for improving federal agency performance and accountability, agencies can help resolve a program's performance and accountability challenges by developing a corrective action plan that identifies root causes and effective solutions and provides for completion of corrective measures in the near term.<sup>38</sup> Further, *Standards for Internal Control in the Federal Government* state that an agency's procedures are among the control activities that help ensure actions are taken to address risks and are an integral part of an entity's implementing and accountability for stewardship of government resources and achieving effective results.<sup>39</sup> One reason DOD has not identified the root cause or causes for the procedural weaknesses that contribute to inaccurate or incomplete container-management data nor developed a corrective-action plan with effective solutions that provide for completion of corrective measures, according to Surface Deployment and Distribution Command officials, is that the responsibility for handling containers in Afghanistan is dispersed among CENTCOM, U.S. Transportation Command, and U.S. Forces–Afghanistan and its subordinate units. According to the officials, their command, which is a subordinate element of U.S. Transportation Command, has attempted to improve the completeness and accuracy of container-management data and to identify root causes for its inaccuracy and incompleteness by focusing on areas that fall within their responsibility, such as providing training on managing containers and on assessing and improving the data systems. However, they also noted that other factors affecting the completeness and accuracy of container-management data fall outside of the Surface Deployment and Distribution Command. According to Surface Deployment and Distribution Command officials, other than the command's attempts, no other DOD office has assessed root causes for the procedural weaknesses identified in this report or developed a corrective-action plan to assess the procedural weaknesses and determine their root causes.

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<sup>38</sup> [GAO-01-159SP](#).

<sup>39</sup> [GAO/AIMD-00-21.3.1](#).

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According to Surface Deployment and Distribution Command officials with global container management responsibilities, complete data on the number of carrier-owned containers, including which containers are accruing detention fees, would help DOD container managers achieve a reduction in these fees. Until DOD assesses its procedural weaknesses, identifies the root causes for those weaknesses, and develops and implements a corrective-action plan to address them, the department is limited in its ability to manage and reduce detention fees. Further, because it will not have the information it needs to correct the deficiencies in the data to better locate and confirm receipt of containers and verify detention invoices until it does so, DOD will not have reliable data to assess how well its efforts to manage and reduce detention fees are working currently and in future contingencies.

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## Conclusions

The management of shipping containers has been a long-standing challenge for DOD, a challenge that is particularly acute during contingency operations and one that has been exacerbated in Afghanistan given the harsh conditions that exist there. Recently, the Deputy Secretary of Defense's Global Container Policy and the August 2012 memo signed by the commanders of the U.S. Transportation Command and CENTCOM demonstrate that DOD's top leadership recognizes the challenges container managers face in managing containers and the need for reducing detention fees during this most recent conflict. However, in order to proactively and successfully improve future container-management operations and prevent the accumulation of detention fees, DOD would benefit by being fully apprised of all recommendations made by DOD audit agencies and other organizations thus far and determining which actions would potentially resolve container-management challenges. DOD could use our work as a starting point for identifying additional recommendations to improve container-management policy and guidance for the next contingency. In addition, until DOD assesses its procedural weaknesses, identifies the root causes for those weaknesses, and develops and implements a corrective-action plan to address them to help improve the quality of its container-management data, it will be difficult for the department to determine how best to improve its container-management operations, including the reduction of detention fees.

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## Recommendations for Executive Action

To help DOD to improve the overall management of shipping containers for current and future contingencies, we recommend that the Secretary of Defense take the following three actions.

To more fully incorporate recommendations into its policy and guidance and to ensure that improvements to container management will be sustained for future contingencies, we recommend that the Secretary of Defense develop a comprehensive list of recommendations made by DOD agencies and other organizations, and make the information available for policymakers to incorporate, as appropriate, into new or existing container-management policy and guidance. DOD could use our work as a starting point for this assessment.

To help ensure DOD's container-management system has more complete and accurate data, and DOD is better positioned to assess progress in managing containers to reduce detention fees, we recommend that the Secretary of Defense direct the Commander CENTCOM to

- identify the root cause or causes for the procedural weaknesses in the handling of containers and the extent to which they contribute to the incomplete and inaccurate recording of container-management data in theater, and
- develop and implement a corrective action plan with effective solutions for the root causes identified that provide for completion of corrective measures.

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## Agency Comments and Our Evaluation

We provided a draft of this report to DOD for review and comment. In written comments, DOD concurred with one of the three recommendations and partially concurred with the two other recommendations. DOD's comments are summarized below and reprinted in appendix II. DOD also provided technical comments on the draft report, which we incorporated as appropriate.

DOD concurred with the first recommendation that the Secretary of Defense develop a comprehensive list of recommendations made by DOD agencies and other organizations, and make the information available for policymakers to incorporate, as appropriate, into new or existing container-management policy and guidance. DOD has requested that we provide a listing of the 95 recommendations identified during this review to use as a starting point for its assessment, to which we agreed.

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DOD partially concurred with the second recommendation that the Secretary of Defense direct the Commander CENTCOM, to identify the root cause or causes for the procedural weaknesses in the handling of containers and the extent to which they contribute to the incomplete and inaccurate recording of container-management data in theater. DOD stated that it concurred with the recommendation, but added that CENTCOM is responsible for theater container management and control in its area of responsibility. DOD also stated that CENTCOM will coordinate with U.S. Transportation Command to the extent that specific theater actions affect overall global container management. We initially drafted the recommendation to both CENTCOM and the U.S. Transportation Command in order to ensure that action would be taken from both commands; however, we agree with DOD that CENTCOM is responsible and that coordination with U.S. Transportation Command to the extent that specific theater actions affect overall global container management is appropriate. Therefore, we modified the recommendation accordingly.

DOD partially concurred with the third recommendation that the Secretary of Defense direct the Commander CENTCOM, to develop and implement a corrective action plan with effective solutions for the root causes identified that provide for completion of corrective measures. DOD stated that it concurs with the recommendation, but also stated that implementing the recommendation is a CENTCOM responsibility. Further, DOD stated that only CENTCOM may direct military Service component commands to take specific actions in the CENTCOM area of responsibility. DOD added that if resolution of the issues requires actions beyond CENTCOM's purview, then CENTCOM will refer specific actions to the Joint Staff for assistance in obtaining resolution with other commands and organizations. We initially drafted the recommendation to both CENTCOM and the U.S. Transportation Command in order to ensure that action would be taken from both commands; however, we agree with DOD that CENTCOM is responsible and that coordination with the Joint Staff for assistance in obtaining resolution with other commands and organizations is appropriate. Therefore, we modified the recommendation accordingly.

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We are sending copies of this report to the appropriate congressional committees, the Secretary of Defense, the Commanders for CENTCOM and the U.S. Transportation Command, and other interested parties. In addition, this report is available at no charge on GAO's Web site at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-5431 or [russellc@gao.gov](mailto:russellc@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.

A handwritten signature in black ink, reading "Cary Russell". The signature is fluid and cursive, with the first name "Cary" and last name "Russell" clearly distinguishable.

Cary B. Russell, Director  
Defense Capabilities and Management

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# Appendix I: Scope and Methodology

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To assess the extent to which Department of Defense (DOD) policy and guidance incorporate recommendations that address container-management challenges in the U.S. Central Command's (CENTCOM) area of responsibility, we reviewed DOD-wide, combatant command, and service-specific policy and guidance pertaining to container management to develop our understanding of container-management operations and roles and responsibilities. To identify recommendations made by DOD audit agencies and other organizations that addressed container-management challenges, we researched websites and databases and contacted officials as necessary from the following audit agencies: Army Audit Agency, Naval Audit Service, Air Force Audit Agency, DOD Office of Inspector General, Defense Contract Audit Agency, Defense Contract Management Agency, Special Inspector General for Iraq Reconstruction, Special Inspector General for Afghanistan Reconstruction, and GAO. We interviewed DOD logistics and container-management officials from the Office of the Deputy Assistant Secretary of Defense for Transportation Policy, U.S. Transportation Command, CENTCOM, the U.S. Army, the U.S. Marine Corps, Surface Deployment and Distribution Command, and the Defense Logistics Agency to discuss challenges with and efforts to improve container management, and identify additional reports or studies with findings and recommendations involving container-management issues. During this process, we observed that these recommended corrective actions were generated over time and concluded that development of such actions may be an ongoing effort.

To identify findings and recommendations relating to container-management issues potentially affecting DOD operations in CENTCOM's area of responsibility, we reviewed the reports and studies for the 10-year period 2003 through 2013—the period DOD began tracking detention fees for operations in Iraq and Afghanistan through the completion of field work on this objective of our review. The recommendations we identified may not be comprehensive because DOD did not have an alternative source or means to corroborate or verify what we identified. Additionally, the same or similar recommendations may appear in different reports and therefore may be duplicated. We analyzed the relevant recommendations to identify the organizations responsible for implementation and categorized the recommendations to determine patterns and repetition over time. We discussed the listing of recommendations with DOD container-management officials to determine how the department addressed the findings and recommendations. We then requested the department provide us with the status of the recommendations we had identified to determine whether actions were completed or implemented. We reviewed DOD policy and guidance pertaining to container



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management to determine the extent that the categories of recommendations we identified were reflected in them. We also reviewed the recommendations status updates DOD provided to identify instances where DOD stated that recommendations had been incorporated into container-management policy and guidance. We compared DOD's inclusion of recommendations addressing container-management challenges into its policy and guidance documents against criteria for recording and communicating important information to management as contained in the Information and Communication, and Monitoring, standards in *Standards for Internal Control in the Federal Government*.<sup>1</sup>

To determine the extent to which DOD managed and reduced container detention fees, we met with officials from the Office of the Deputy Assistant Secretary of Defense for Transportation Policy, U.S. Transportation Command, CENTCOM, U.S. Army, U.S. Marine Corps, Surface Deployment and Distribution Command, and the Defense Logistics Agency to develop an understanding of how DOD accrues and pays detention fees, and manages shipping containers to reduce the accumulation of detention fees. We observed the processes and procedures by which invoices for detention fees are received, reviewed, and paid. Also, we observed demonstrations of the DOD system used to track and manage shipping containers used in the CENTCOM area of responsibility and collected comprehensive listings of containers and associated data for each container captured in these listings. We observed demonstrations of DOD's two key systems used in container management for Afghanistan (the U.S. Transportation Command's Container Management Module and the Army Container Asset Management System), collected information on the systems' structure and data content, and requested and collected various reports produced in queries on 4 separate days, from April 2013 through December 2013, for complete data on the number of containers in theater that officials conducted at our request. From the U.S. Transportation Command's Container Management Module we then collected and analyzed complete data sets for all shipping containers recorded for Afghanistan to understand the densities and usages of shipping containers in Afghanistan. This included determining locations where containers were recorded and the ratios of carrier-owned containers to government-owned

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<sup>1</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

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containers; and identifying containers without recorded geographic locations, the length of time carrier-owned containers had been in Afghanistan, and the ratios of containers recorded as empty to those with contents or occupants.

In Afghanistan, we met with U.S. Forces–Afghanistan officials and various container control officers identified by officials from the Surface Deployment and Distribution Command to discuss shipping-container management and the accuracy of data recorded in the Container Management Module. We also collected all available end-of-month DOD listings—from September 2010 through December 2013—of carrier-owned shipping containers subject to detention-fee accruals for analysis. We selected September 2010 because it was the first month for which DOD had available end-of-month data. We concluded with December 2013 because it was the cutoff date for the analyses that we had planned to conduct. We summarized and discussed our initial analysis with officials from the Surface Deployment and Distribution Command to ensure accurate interpretation of the data collected. We compared our observations, data we collected, and our analyses with Standards for Internal Controls in the Federal Government and DOD regulations such as the Defense Transportation Regulation and CENTCOM’s *Container Management Policy Letter of Instruction* that specify the need to accurately and timely record data that has an effect on detention fee accrual.<sup>2</sup> We also assessed DOD’s efforts to improve its management of container data against best practices for improving federal agency performance and accountability found in *Determining Performance and Accountability Challenges and High Risks*, and *Standards for Internal Control in the Federal Government*, which address risks and accountability for achieving effective results. GAO developed the criteria for assessing performance and accountability for an agency’s major program and mission areas and management functions by considering the requirements of program-specific legislation as well as the requirements of management-reform legislation, such as the Chief Financial Officers Act of 1990, the Government Performance and Results Act of 1993, the Government Management Reform Act of 1994, the Federal Financial Management Improvement Act of 1996, and the Clinger-Cohen Act of 1996.

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<sup>2</sup>[GAO/AIMD-00-21.3.1](#).

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We assessed the reliability of the data by reviewing related documentation, interviewing knowledgeable officials, and testing the data for obvious errors and completeness. We concluded the data were sufficiently reliable to present selected findings on the completeness and accuracy of the numbers and locations of shipping containers subject to detention fees, but identified limitations that are discussed in this report.

We conducted this performance audit from February 2013 to November 2014 in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# Appendix II: Comments from the Department of Defense



LOGISTICS AND  
MATERIEL READINESS

ASSISTANT SECRETARY OF DEFENSE  
3500 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3500

OCT 21 2014

Mr. Cary Russell,  
Director, Defense Capabilities and Management  
U.S. Government Accountability Office  
441 G Street, N.W.  
Washington, DC 20548

Dear Mr. Russell:

This is the Department of Defense (DoD) response to the GAO Draft Report, GAO-15-114, "DEFENSE LOGISTICS: Greater Awareness of Recommendations and Improvements in Data Quality Needed to Resolve Container Management Challenges," dated September 22, 2014 (GAO Code 351805). Detailed comments on the report recommendations are enclosed.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul D. Peters", is located below the "Sincerely," text.

Paul D. Peters  
Principal Deputy

Enclosure:  
As stated

**GAO Draft Report Dated SEPTEMBER 22, 2014  
GAO-15-114 (GAO CODE 351805)**

**“DEFENSE LOGISTICS: GREATER AWARENESS OF  
RECOMMENDATIONS AND IMPROVEMENTS IN DATA  
QUALITY NEEDED TO RESOLVE CONTAINER MANAGEMENT  
CHALLENGES”**

**DEPARTMENT OF DEFENSE COMMENTS  
TO THE GAO RECOMMENDATIONS**

**RECOMMENDATION 1:** To more fully incorporate recommendations into its policy and guidance and to ensure that improvements to container management will be sustained for future contingencies, GAO recommends that the Secretary of Defense develop a comprehensive list of recommendations made by DoD agencies and other organizations, and make the information available for policymakers to incorporate, as appropriate, into new or existing container management policy and guidance. DoD could use GAO’s work as a starting point for this assessment.

**DoD RESPONSE:** Concur

**RECOMMENDATION 2:** To help ensure DoD's container management system has more complete and accurate data, and DoD is better positioned to assess progress in managing containers to reduce detention fees, GAO recommends that the Secretary of Defense direct the Commanders, U.S. Transportation Command and CENTCOM to identify the root cause or causes for the procedural weaknesses in the handling of containers and the extent to which they contribute to the incomplete and inaccurate recording of container management data in theater.

**DoD RESPONSE:** Partially concur with comments

The Department concurs with the recommendation; however, the supported combatant commander (in this case, USCENTCOM) is responsible for theater container management and control in its area of responsibility (AOR). USCENTCOM will coordinate with USTRANSCOM to the extent that specific theater actions impact overall global container management.

**RECOMMENDATION 3:** To help ensure DoD's container management system has more complete and accurate data, and DoD is better positioned to assess progress in managing containers to reduce detention fees, GAO recommends that the Secretary of Defense direct the Commanders, U.S. Transportation Command and CENTCOM to develop and implement a corrective action plan with effective solutions for the root causes identified that provide for completion of corrective measures.

**DoD RESPONSE:** Partially concur with comments

The Department concurs with the recommendation; however, this is a USCENTCOM responsibility. Only USCENTCOM may direct military Service component commands to take specific actions in the USCENTCOM AOR. If resolution requires actions beyond USCENTCOM's purview, then USCENTCOM will refer specific actions to the Joint Staff for assistance in obtaining resolution with other commands and organizations.

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# Appendix III: GAO Contact and Staff Acknowledgments

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## GAO Contact

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## Staff Acknowledgments

In addition to the contact named above, key contributors to this report include Guy LoFaro, Assistant Director; Jim Ashley; Tracy Barnes; Richard Burkard; Virginia Chanley; Grace Coleman; Larry Junek; Anne McDonough-Hughes; Mary Catherine Hult; Carol Petersen; Pauline Reaves; and John Strong.

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